

Table 1

Statement on principal adverse impacts of investment decisions on sustainability factors

Financial market participant: NextPower III LP, 213800IVIPUWYWMD5740 on behalf of NextEnergy Capital Limited

Summary

NextPower III LP, 213800IVIPUWYWMD5740, considers principal adverse impacts of its investment decisions on sustainability factors. The present statement is the consolidated statement on principal adverse impacts on sustainability factors of NextPower III LP (the "Company").

This statement on principal adverse impacts on sustainability factors covers the reference period from 1st January 2022 to 31 December 2022, in line with the financial reporting year.

The tables below contain the principal adverse impacts required by regulation and considered material to the Company. The results show limited adverse impacts in line with the sustainable investment objective. The most significant adverse impact is scope 2 greenhouse gas emissions. This reflects electricity that is consumed by solar projects on-site, imported from the grid. The emissions reflect the proportion of imported energy that is non-renewable. Work is ongoing to assess whether additional renewable energy can be sourced as an alternative. The renewable energy generated by the portfolio will be exponentially larger than non-renewable energy consumed when sites are operational. In the reference period sites were under construction and so no revenue was generated. This makes certain intensity metrics seem high because they are reported as absolute numbers.

This is the first reporting period for principal adverse impacts. The nature of the portfolio means the majority of activity is outsourced to third-party providers, mainly operations and maintenance contractors. This creates a particular problem for the collection of data to process into the principal adverse impacts. The company is reliant on the provision of data from these third parties. In the current year, there is a high degree of estimation across most metrics because overall response rates were materially below total portfolio coverage. The data quality of the responses has been assessed, and improvements made where possible. However, the nature of data provided in the current year means there is a lack of transparency to establish the overall accuracy. This is offset to a degree through statistical analysis of responses to detect anomalies and resolve them. The investment advisor and asset manager are actively engaged in improving the completeness and accuracy of data going forward. In addition there are certain data gaps for sites under construction that it has not been possible to estimate.

Overall the principal adverse indicators reflect the positive nature of the sustainable investment objective and provide targeted areas for improvement in the future which the Company is actively engaged in addressing.

Description of the principal adverse impacts on sustainability factors

See descriptions below table:

Indicators applicable to investments in investee companies						
Adverse sustainability indicator	Metric	Impact 2022	Impact 2021	Explanation	Actions taken and actions planned and targets set for the next reference period	
CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS						
Greenhouse gas emissions	1. GHG emissions	Scope 1 GHG emissions	0	NA	The investee companies are SPVs that hold solar PV projects. The construction and operation of these are outsourced to third parties so no scope 1 emissions are incurred.	NA
		Scope 2 GHG emissions	1,444 tCO2e	NA	Scope 2 emissions related to purchased import electricity. These emissions reflect non-renewable electricity imported.	Import data will continue to be collected, options for sourcing more renewable energy are being explored.
		Scope 3 GHG emissions	135 tCO2e	NA	Scope 3 is subject to a large degree of estimation uncertainty. Data provided from suppliers was incomplete (did not cover the full portfolio). Estimations were formed using the data that was provided as a proxy. In the current year, there was limited transparency on the data that was provided and formed the basis for these estimates. As a result, the level of accuracy cannot be established. Procedures were undertaken to analyse the data, this took the correlation of responses from different providers into account. Where possible anomalies were queried and improvements to quality made with additional information. Assets under construction were recorded as a data gap in the current year. Engineering procurement contractors were unable to supply appropriate data.	The investment advisor and asset manager are actively engaged in improving data quality from suppliers.
		Total GHG emissions	1,579 tCO2e	NA	GHG emissions are calculated in accordance with the GHG Protocol using emission factors either from DEFRA or from DEFRA recommended sources such as the International Energy Agency. As noted above, coverage of scope 3 emissions was limited in the current year.	NA
	2. Carbon footprint	Carbon Footprint	5.14 tCO2e per €M	NA	NA	NA
	3. GHG intensity of investee companies	GHG intensity of investee companies	29.30 tCO2e per €M	NA	NA	NA
4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	0.0%	NA	The investment strategy is focused on assets that produce renewable energy.	NA	
5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources	0.4%	NA	The portfolio produces renewable energy, electricity generation is exponentially larger than electricity consumed.	The strategy will continue, options for sourcing renewable import electricity are being explored.	
6. Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector	0 GWh per €M	NA	Renewable energy is not considered a high impact climate sector.	NA	
Biodiversity	7. Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas	0.0%	NA	The Company undertakes environmental assessments before sites are constructed.	Biodiversity improvements will continue as part of the overall ESG strategy.
Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	0 t per €M	NA	No nitrates, phosphates and pesticides are emitted in operations. Operations and maintenance contractors are not permitted to use harmful chemicals during the module cleaning process.	NA
Waste	9. Hazardous waste and radioactive waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average	0 t per €M	NA	No hazardous waste was produced.	NA
INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS						
Social and employee matters	10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	0.0%	NA	The Company applies these policies, with a particular focus on supply chain. The investee companies themselves are SPVs holding assets and have no employees.	NA
	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance/complaints-handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	0.0%	NA	The Company applies these policies, with a particular focus on supply chain. The investee companies themselves are SPVs holding assets and have no employees.	NA
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	0	NA	The Company has no employees. It invests in SPVs which hold solar assets. The operations are outsourced to third party contractors.	NA
	13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	6%	NA	Investee companies are SPVs holding assets, these are not operational trading companies.	NA
	14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	0.0%	NA	Investments are all in solar PV projects.	NA

Other indicators for principal adverse impacts on sustainability factors

Table 2

Additional climate and other environment-related indicators

Adverse sustainability impact	Adverse impact on sustainability factors (qualitative or quantitative)	Metric	Impact 2022	Impact 2021	Explanation	Actions taken and actions planned and targets set for the next reference period
Indicators applicable to investments in investee companies						
CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS						
Water, waste and material emissions	6. Water usage and recycling	1. Average amount of water consumed by the investee companies (in cubic meters) per million EUR of revenue of investee companies	1,352 m ³ per €M	NA	Given the different environments NPV assets are located in, various panel cleaning strategies are deployed as appropriate. However, we still look to explore alternative water methods and solutions through proof of concepts and innovative case studies.	Opportunities for recycling water are being explored, as are alternatives to using water.
		2. Weighted average percentage of water recycled and reused by investee companies	0.0%	NA		
	7. Investments in companies without water management policies	Share of investments in investee companies without water management policies	0.0%	NA	Coverage for this indicator is limited.	Actively engaging with suppliers to provide more data and improve quality.
	8. Exposure to areas of high water stress	Share of investments in investee companies with sites located in areas of high water stress without a water management policy	0.0%	NA	Coverage for this indicator is limited for sites located in high water stress areas in the current year.	Actively engaging with suppliers to provide more data and improve quality.

Table 3

Additional indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters

INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS

Adverse sustainability impact	Adverse impact on sustainability factors (qualitative or quantitative)	Metric	Impact 2022	Impact 2021	Explanation	Actions taken and actions planned and targets set for the next reference period
Indicators applicable to investments in investee companies						
Social and employee matters	1. Investments in companies without workplace accident prevention policies	Share of investments in investee companies without a workplace accident prevention policy	0.0%	NA	The investee companies are SPVs with no employees.	NA
	2. Rate of accidents	Rate of accidents in investee companies expressed as a weighted average	0.0	NA	No accidents reported in the year. This data is dependent on third-party contractors and responses were incomplete in the current year.	Actively engaging with suppliers to provide more data and improve quality.
	3. Number of days lost to injuries, accidents, fatalities or illness	Number of workdays lost to injuries, accidents, fatalities or illness of investee companies expressed as a weighted average	0.0	NA	No accidents reported in the year. This data is dependent on third-party contractors and responses were incomplete in the current year.	Actively engaging with suppliers to provide more data and improve quality.
	4. Lack of a supplier code of conduct	Share of investments in investee companies without any supplier code of conduct (against unsafe working conditions, precarious work, child labour and forced labour)	0.0%	NA	The investee companies are SPVs to hold assets but suppliers are subject to procurement policies from the ultimate parent.	NA

Description of policies to identify and prioritise principal adverse impacts on sustainability factors

- a) NextEnergy Capital Limited has a set of Sustainability Policies publicly available on its website, signed by the most senior member of the company and regularly reviewed.
- b) The NextEnergy Capital ESG team is responsible for the implementation of these Policies for this financial product. Details of such policies and procedures are disclosed in the SFDR ESG Disclosure Document, available on the website.
- c) The indicators in Table 2 and 3 have been assessed based on their materiality. That is the likelihood and severity of occurrence. This process included an assessment of the asset lifecycle, from supply chain through operational life and end of life.
- d) The assessment is inherently judgmental in nature which incorporates a margin of error. Feedback from stakeholders will be taken into account when reviewing this selection and amendments made in future reporting cycles if required.
- e) Data is challenging on a number of metrics because it is primarily provided by third party operations and maintenance contractors. Additional data was available from the asset manager.

Data received from third-party contractors was assessed for quality. Anomalies were queried with providers. Estimates were used on data gaps using the data that was available as a proxy (converting this into an intensity metric and applying to relevant activity).

Engagement Policies

The investments are infrastructure assets. Engagement is primarily focused on operations and maintenance contractors to adopt more efficient and sustainable operations (using less fuel and less water are focus areas). Supply chain is the other major area of focus for new sites under construction or parts for repairs. The engagement focus is on human rights and climate risk.

Reference to international standards

As an Article 9 fund with a sustainable investment objective the UN Guiding Principles on Business and Human Rights and OECD Guidelines for Multinational Enterprises are adhered to.

- a) Indicators 10 and 11 in Table 1 are key to ensuring compliance with these frameworks.
- b) As there is direct control over the infrastructure assets full coverage can be obtained. Extensive work is undertaken to collect data from contractors and suppliers but this has inherent limitations in completeness and accuracy.
- c) Climate scenarios are not used in the indicators.
- d) Climate scenarios are not used.

Historical comparison

NA - first reporting period